

Message Text

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SUBJECT: AUSTRALIAN WHEAT SALE TO CHINA

SUMMARY: AUSTRALIA'S WHEAT BOARD, JANUARY 29, ANNOUNCED THE SALE OF 700,000 MT OF WHEAT TO CHINA FOR 1976, LESS THAN HALF THE 1.5 MILLION MT PROVIDED FOR THIS FINAL YEAR OF THEIR LONG TERM ACCORD. THE BOARD DID NOT REACH A NEW LONG TERM AGREEMENT DURING ITS RECENT VISIT TO PEKING AND THE AUSTRALIANS NOW VIEW THEIR CURRENT ACCORD AS COMPLETED. END SUMMARY.

1. AUSTRALIAN WHEAT BOARD (AWB) JANUARY 29 ANNOUNCED THE SALE OF 700,000 TONS OF WHEAT TO CHINA FOR 1976. CONTRACT CALLS FOR DELIVERY OF AUSTRALIAN STANDARD WHITE, BUT ALLOWS THE BOARD TO SUBSTITUTE PRIME HARD AND HARD GENERAL PURPOSE WHEAT. TERMS OF THE SALE ARE SIMILAR TO THOSE OF LIMITED OFFICIAL USE

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PREVIOUS CONTRACTS WHICH PROVIDED FOR PAYMENT PLUS

INTEREST WITHIN TWELVE MONTHS FROM THE DATE OF SHIPMENT. SALE WAS CONCLUDED DURING AWB'S VISIT TO CHINA WHICH ENDED ON JANUARY 25.

2. ACCORDING TO AUSTRALIAN EMBASSY, THE QUANTITY SOLD IS LESS THAN HALF OF THE 1.5 MILLION MT WHICH CHINESE HAD OPTION TO PURCHASE DURING THIS LAST YEAR OF THE SINO-AUSTRALIAN LONG TERM AGREEMENT. HOWEVER, UNDER THE TERMS OF THE AGREEMENT THE CHINESE WERE NOT OBLIGATED TO PURCHASE THE FULL AMOUNT AND THE AUSTRALIANS NOW VIEW THE AGREEMENT AS COMPLETED.

TOTAL CHINESE PURCHASES HAVE THUS AMOUNTED TO ONLY 3.3 MILLION MT OR ABOUT 1.4 MILLION MT LESS THAN THE MAXIMUM LIMIT STATED IN THE ACCORD. DELIVERIES UNDER THIS YEAR'S CONTRACT ARE TO BE CONCLUDED BY FEBRUARY 1977. THE AUSTRALIANS DID NOT CONCLUDE AN AGREEMENT FOR 1977 OR A NEW LONG-TERM AGREEMENT COVERING SUBSEQUENT YEARS.

3. IN DISCUSSING THE SHORTFALL IN THIS YEAR'S SALES, THE AUSTRALIANS SAY GOOD PRC HARVESTS IN 1974-75 AND CHINESE EXPECTATIONS THAT WHEAT PRICES WILL CONTINUE TO DECLINE THROUGH 1977 ACCOUNTED FOR THEIR LACK OF INTEREST IN PURCHASING LARGER QUANTITIES THIS YEAR. THE AUSTRALIANS WERE CLEARLY WORRIED, HOWEVER, THAT THE SMALL SIZE OF THIS YEAR'S PURCHASE WILL BE ATTRIBUTED TO POLITICAL MOTIVES, AND TOOK PAINS TO POINT THAT THE AWB DID NOT PRESS THE CHINESE SINCE THE AUSTRALIANS WERE SOMEWHAT UNCERTAIN ABOUT THEIR ABILITY TO SUPPLY. THE AWB SAID THEY WERE PLEASED WITH RESULTS OF THEIR VISIT AND LOOK FORWARD TO FUTURE OPPORTUNITIES TO DO BUSINESS WITH CHINA.

4. THE RESULTS OF THIS YEAR'S AWB NEGOTIATIONS RAISE QUESTIONS ABOUT THE PROSPECTS FOR SUCCESS OF A SIMILAR MISSION FROM CANADA WHICH IS SCHEDULED TO ARRIVE IN PEKING IN FEBRUARY. THE CANADIANS HAVE A MINIMUM OF 1.8 MILLION MT OUTSTANDING UNDER THEIR OWN THREE-YEAR AGREEMENT AND IT NOW SEEMS HIGHLY UNLIKELY THAT THE CHINESE WILL BE INTERESTED IN THE FULL AMOUNT. BASED LIMITED OFFICIAL USE

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ON THE AUSTRALIAN EXPERIENCE, WE WOULD EXPECT CANADIAN SALES TO BE LESS THAN 1 MILLION MT WHICH COULD MEAN TOTAL CHINESE GRAIN IMPORTS FOR 1976 AS LOW AS 2 MILLION MT. UNDER SUCH CONDITIONS IT SEEMS MORE UNLIKELY THAN EVER THAT THE CHINESE WILL PURCHASE GRAIN FROM THE U.S. THIS YEAR.

5. DURING THIS MONTH'S NEGOTIATIONS, THE AUSTRALIANS

ASKED THE CHINA NATIONAL CEREAL OIL AND FOODSTUFFS
NEGOTIATIONS ABOUT THE 274.9 MILLION TON FIGURE FOR
CHINESE GRAIN PRODUCTION IN 1974. THE CHINESE REFUSED
TO CONFIRM OR DENY THIS ESTIMATE, BUT DID SAY THAT
PRC GRAIN FIGURES INCLUDED SWEET POTATOES (THE ONLY
TUBER) USING A RATIO OF 5 TONS OF POTATOES TO
EQUAL ONE TON OF GRAIN.
THOMAS

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